

PIERCE COUNTY HOUSING AUTHORITY
Pierce County, Washington
October 1, 1994 Through August 10, 1995

Schedule Of Findings

1. Public Funds Were Misappropriated And Accounting Records Were Falsified

Our audit of the financial records of the Pierce County Housing Authority (PCHA) revealed at least \$16,234 in public funds was misappropriated by an apartment manager from one of PCHA's apartment complexes during the period October 1, 1994, through August 10, 1995. Accounting records were falsified in an attempt to conceal these losses. There were no federal funds involved in this case.

This situation was initially detected by property management, who was notified by a tenant at Brookridge Apartments who was not moved to a larger apartment due to a lack of vacancies. However, the rent roll report for this complex listed numerous vacancies of this apartment size. On August 10, 1995, the asset manager conducted an on-site review at the apartment complex and discovered that apartments listed as vacant on the rent roll report were actually occupied. The asset manager then removed all records from the premises, and the finance department immediately notified the State Auditor's Office of these irregularities. On the same day, the apartment manager confessed to PCHA officials she had stolen funds from the housing authority. Her employment with the housing authority was immediately terminated.

Housing authority officials then began an investigation to determine the extent of the loss. This investigation covered the period October 1, 1994, through August 10, 1995. During our audit, we reviewed the work performed by the finance department and agree with their findings and conclusions. These funds were misappropriated as described below.

a. Rents and security deposits paid in cash by new tenants were stolen.

The apartment manager was paid in cash by tenants moving into the apartment complex. Since the new tenants did not request receipts, the apartment manager failed to inform the housing authority's central office that the apartment units had been rented. Consequently, the housing authority's finance department listed the units as vacant on the rent roll reports and did not anticipate any cash receipts for these units. Losses from this method totaled \$10,404.

b. Last month's rent (LMR) were stolen.

In these instances, the tenant's last month's rent was already recorded in the housing authority's general ledger. When tenants paid the apartment manager in cash for the current month's rent, the apartment manager then falsified accounting records so the housing authority would apply the LMR to that month's rent payment. The apartment manager then retained these funds. Losses from this method totaled \$5,830.

In addition, when the asset manager removed all accounting records from the apartment manager's office, he found \$2,540 in uncashed checks and money orders. PCHA officials subsequently reviewed these records, applied the funds to the applicable accounts, and deposited the funds in the bank.

RCW 9A.56.030 states:

Theft in the first degree. (1) A person is guilty of theft in the first degree if he commits theft of:

(a) Property or services which exceed(s) one thousand five hundred dollars in value; or

(b) Property of any value taken from the person of another.

(2) Theft in the first degree is a class B felony.

RCW 9A.60.020 states:

Forgery. (1) A person is guilty of forgery if, with intent to injure or defraud:

(a) He falsely makes, completes, or alters a written instrument or;

(b) He possesses, utters, offers, disposes of, or puts off as true a written instrument which he knows to be forged.

(2) Forgery is a class C felony.

RCW 40.16.010 states:

Every person who shall willfully and unlawfully remove, alter, mutilate, destroy, conceal, or obliterate a record, map, book, paper, document, or other thing filed or deposited in a public office, or with any public officer, by authority of laws, shall be punished by imprisonment in a state correctional facility for not more than five years, or by a fine of not more than one thousand dollars, or by both.

RCW 42.20.070 states:

Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage or irrigation district, who:

(1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or

(2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or

- (3) Shall fraudulently alter, falsify, conceal, destroy, or obliterate any such account; or
- (4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town . . . or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

The apartment manager circumvented the PCHA's system of internal controls for the cash receipting system.

We recommend the Pierce County Housing Authority seek recovery of the misappropriated \$16,234 and related audit/investigation costs from the apartment manager and their insurance bonding company, as appropriate. We further recommend the Washington State Office of the Attorney General and the Pierce County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Bond coverage for PCHA employees is as follows:

Insurer:	Housing Authorities Risk Retention Pool.
Type of Policy:	Errors and Omissions And Employment Related Practices Liability Coverage.
Policy Number:	None; issued in name of insured.
Dollar Amount:	\$2,000,000 with \$1,000 deductible provision.
Period of Coverage:	Annual policy covering July 1 - June 30 for each fiscal year.